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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

OCA-T-9

Docket No. R2000-1

DIRECT TESTIMONY

OF

PAMELA A. THOMPSON

ON BEHALF OF

THE OFFICE OF THE CONSUMER ADVOCATE

MAY 22, 2000

TABLE OF CONTENTS

Page

I.	STATEMENT OF QUALIFICATIONS	1
II.	PURPOSE AND SCOPE OF TESTIMONY	2
III.	THE COST MODEL PROGRAM	3
A.	Replicating USPS Witness Kashani's Cost Data Requires Using Five Programs.....	3
B.	OCA Replicates USPS Costs And Incorporates USPS Corrections.....	4
C.	The OCA Incorporates OCA Witnesses Smith's and Ewen's Cost Proposals.....	8
IV.	CONCLUSION.....	11

APPENDIX A

APPENDIX B

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes, 2000)

Docket No. R2000-1

DIRECT TESTIMONY
OF
PAMELA A. THOMPSON

I. STATEMENT OF QUALIFICATIONS

My name is Pamela A. Thompson. I am a senior Postal Rate and Classification Specialist for the Office of the Consumer Advocate (OCA). I have been employed at the Postal Rate Commission since March 1990. I have testified previously before this Commission in Docket Nos. R97-1, R94-1, R90-1, MC96-3, MC95-1, and MC93-1. In Docket No. R97-1, my testimony provided documentation on operating the Commission's cost model. In R94-1, I proposed a new methodology for the recovery of prior years' losses. I also proposed a change in the amount of, and the allocation methodology for, a contingency provision. In Docket No. R90-1, my testimony proposed the adoption of two discounted single-piece rate categories within First-Class Mail. A three-cent discount was proposed for Courtesy Envelope Mail (CEM), an automation-compatible prebarcoded envelope. The second category, Automation Compatible Envelope (ACE), consisted of mail pieces to be produced and sold by the Postal Service as a specialized form of the stamped envelope products currently offered by the Postal Service. In Docket No. MC96-3, my testimony proposed to show

1 that the Postal Service was attempting to misuse the classification reform framework to
2 target a few special services for price increases. In Docket No. MC95-1, my testimony
3 proposed a Courtesy Envelope Mail (CEM) rate category and a 12-cent per piece
4 discount for qualifying First-Class single-piece courtesy reply envelopes. In Docket
5 No. MC93-1, my testimony reviewed the Postal Service's cost coverage for the new
6 BSPS classification proposal.

7 Prior to my employment with the Postal Rate Commission, I was an Assistant
8 Controller for Chemical Waste Management (CWM). Prior to CWM, I was a Staff
9 Business Planner for a division of International Business Machines (IBM) working
10 principally in the areas of strategic planning, pricing and implementation.

11 I received my MBA from Wright State University in Dayton, Ohio, in 1979, and a
12 BA, in 1975, from the Christopher Newport College of the College of William and Mary.
13 I have taken additional computer science courses from the University of Colorado.

14 II. PURPOSE AND SCOPE OF TESTIMONY

15 The purpose and scope of my testimony is three-fold. First, I replicate the USPS
16 costs as provided in USPS witness Kashani's testimony and workpapers (USPS-T-14).
17 Then, I incorporate the corrections proposed by USPS witness Kashani. Finally, I
18 incorporate, into the base year cost model, the changes OCA witnesses Smith (OCA-T-
19 4) and Ewen (OCA-T-5) propose. Exhibits to my testimony provide results through the
20 test year after rates with the workyear mix adjustment.

21 Due to the problems encountered in replicating USPS cost data as well as the
22 time frame needed to incorporate the proposals for OCA witnesses Smith and Ewen, I

1 was unable to prepare the test year after rate PESSA allocations. However, the test
2 year after rate PESSA allocations will be provided as a supplement to my testimony. In
3 addition to this testimony, I sponsor a library reference, OCA-LR-I-1, a category 2
4 library reference.

5 III. THE COST MODEL PROGRAM

6 A. Replicating USPS Witness Kashani's Cost Data Requires Using Five
7 Programs

8 The five programs used to replicate the USPS cost data are DATAFILE,
9 GRMAT, COSTMOD, LRCOST, and PRCEDIT. DATAFILE reads data from a base
10 year data file into a binary matrix and writes out the data to a file called
11 BASEYEAR.BIN. Subsequently, the cost model uses BASEYEAR.BIN.
12 (BASEYEAR.BIN contains data equivalent to that used by USPS witnesses Meehan
13 and Kashani to generate the USPS Base Year Manual Input Requirement report.)
14 Starting with the data file, BASEYEAR.BIN and several "script" files that I create to
15 replicate the USPS cost model input, I use the COSTMOD.EXE and LRCOST.EXE
16 programs to replicate the base year cost data.¹

17 I incorporate the USPS's proposal to move segment 9 components to segment 3
18 using the LRCOST program and a "script" file called "MOVESDM.FAC." After moving
19 the former segment 9 components to segment 3, I produce the base year file,
20 BASE_SDM.BIN. I use BASE_SDM.BIN as the starting point for my replication of
21 USPS witness Kashani's (USPS-T-14) workpapers.

¹ The instructions in my "script" files come from information provided by the USPS in USPS-LR-I-6.

1 COSTMOD and LRCOST build distribution keys and use the Postal Service's
2 variabilities. I use GRMAT to view results on the computer screen and to save my
3 results to a temporary output file for future printing. In the interim year 2000, the
4 USPS eliminates the subclass Standard Mail (A), single piece rate. I use
5 PRCEDIT.EXE to edit the binary data file, FY99SPA.BIN, to zero-out residual Standard
6 Mail (A), single piece rate costs. The amounts zeroed-out were values less than
7 positive or negative one.²

8 B. OCA Replicates USPS Costs And Incorporates USPS Corrections

9 In this docket, I updated all associated program files to reflect the USPS costing
10 methodology. A copy of the updated programs and my data files are provided on the
11 diskette accompanying OCA-LR-I-1. Electronic copies of my replication of USPS
12 witness Kashani's workpapers are provided in the subdirectory USPSREP. I also
13 provide a component cross-walk of the segments 21 and 22 components I use, in the
14 "cross_walk.xls" EXCEL spreadsheet. A cross-walk for segments 1 through 20 is not
15 needed as the cost model uses the USPS component numbering scheme.

16 The VBL2 files provided to the PRC for FY 99, FY 00, and FY 01, in USPS-LR-I-
17 6, indicate that component 907 receives a direct and indirect mail volume effect. USPS
18 witness Kashani indicated in his response to P.O. Information Request 10, that
19 component 907 should not receive two mail volume effects in FY 99, FY 00 and FY 01.³

² The components affected are: 2:9, 2:29, 2:30, 2:32, 2:678, 3:228, 6:45, 16:177, 18:199, 18:201, and 18:204. I also used PRCEDIT to input the stamped envelope and P.O. box volumes provided by USPS witness Kashani. See Docket No. R2000-1, Tr. 2/645.

³ P.O. Information Request No. 10 (April 25, 2000), POIR-10-1.

1 However, in replicating USPS witness Kashani's workpapers, I found that the only
2 instance where his workpapers actually appear to incorporate the indirect and direct
3 mail volume effect for component 907 is in FY 99.

4 In preparing the OCA cost proposal, I eliminated the indirect mail volume effect
5 for component 907 in FY 99, by eliminating the DOS batch file CFS.BAT. A list of the
6 cost model commands used is provided in Appendix A of this document. I compare
7 witness Kashani's results with my results in Exhibits 1A-1D of Appendix B to this
8 document.

9 After having replicated USPS witness Kashani's workpapers, I incorporated the
10 following USPS corrections: (1) periodical volumes for FY 99, FY 00 and FY 01;⁴ (2)
11 component 30's treatment with respect to Higher Level Supervisors;⁵ (3) component
12 907 receives only a direct mail volume effect;⁶ (4) "to better approximate the results of
13 the COBOL model, the total cost reduction amount distributed on component 253
14 (-102,342 thousand) is multiplied by 1.003;"⁷ (5) include component 41 in "the list of
15 independent components for the mail volume effect for component 678 in VBL2 of
16 fy99rcc;"⁸ (6) in the roll forward for the Standard (A) Single Piece and International Mail

⁴ Id. at 646.

⁵ P.O. Information Request No. 6 (April 10, 2000), POIR-6-2.

⁶ P.O. Information Request No. 10 (April 25, 2000), POIR-10-1.

⁷ Id., POIR-10-2.

⁸ Id., POIR-10-5.

1 volume adjustment, FY99RCC, component 1453 receives only one mail volume
2 adjustment.⁹

3 Prior to my initial cost model runs, I compared USPS cost model data input from
4 Docket R97-1 with the current USPS data input. Thus, in my initial cost model runs, I
5 assumed that component 331, mentioned in P.O. Information Request 10-4, was
6 intended to be 131. Additionally, I assumed that component 41 was erroneously left out
7 of the list of independent components for the mail volume effect of component 678 in
8 VBL2 of USPS-LR-I-6, \FY99RCC; therefore, the OCA mail volume ripple file,
9 VBL2RIP.DAT, includes component 41. In replicating the USPS data, OCA component
10 21:173 (USPS component 1453) did not receive a duplicate mail volume adjustment.¹⁰
11 In the OCA proposal, I adjusted the FY 99, FY 00 and FY 01 "ripple" files to reflect the
12 correct treatment of component 30's, Higher Level Supervisors.¹¹

13 I experienced several difficulties in replicating USPS witness Kashani's
14 workpapers. Many of the difficulties I experienced are similar to those reflected in P.O.
15 Information Requests 6 and 10. In USPS witness Kashani's response to P.O.
16 Information Request 10, interrogatories 2 and 3, he indicates that to more closely
17 replicate the USPS COBOL cost model results in his spreadsheet, he multiplies the
18 component 253 amount of \$102,342,000 by 1.003.¹²

⁹ Id., POIR-10-6.

¹⁰ Id., POIR-10-6.

¹¹ Id., POIR-6-2.

¹² Id., POIR-10-2.

1 In the cost model, the method of multiplying the cost reduction of
2 (\$102,342,000) by 1.003 to allocate an additional component 35 cost reduction of
3 \$240,173 will not produce the intended results. Increasing the \$102,342,000 by 1.003
4 and implementing the method USPS used to allocate the \$102,342,000 results in
5 components other than segment 3, component 35 receiving additional cost reduction
6 amounts. Thus, I isolate the cost reduction amount of \$102,342,000 and run the cost
7 model with this as the only segment 3 cost reduction. The result indicates a cost
8 reduction of \$82,201,000 for component 35 and a cost reduction amount of \$213,000
9 for component 66. The \$82,201,000 cost reduction is allocated to component 35 using
10 the cost model functions "di" and "ds." The \$213,000 cost reduction is allocated to
11 component 66 using the cost model functions "di" and "ds." The remaining portion of
12 the \$102,342,000 cost reduction, \$19,928,000 ($102,342 - 82,201 - 213$ -- trailing zero's
13 omitted), is allocated to the following segment 3 components: 40, 421, 422, 423, 467,
14 468, 469, 470, 471, 41, 227 and 228, using the cost model function "cl."

15 A similar problem exists for segment 6, component 43 and segment 7,
16 component 46. Again, I ran the cost model to isolate the cost reduction amount of
17 \$124,496,000 and determined that the intended cost reduction amount of \$32,363,000
18 be allocated to component 43. The cost reduction amount to be allocated to
19 component 46 was \$27,534,000. Both the \$32,363,000 and the \$27,534,000 cost
20 reduction amounts are distributed to their respective components using "di" and "ds"
21 commands. The remaining cost reduction amount of \$64,599,000 ($124,496 - 32,363 -$
22 $27,534$ -- trailing zero's omitted) was allocated to the remaining segment 6 and 7
23 components: 6:44, 6:45, 7:48; 7:49; 7:50; 7:52; 7:53; and 7:54 using the "cl" function.

1 Another instance of a dual distribution to one component in a given cost level
2 effect occurs in "other programs" for segment 3, component 35.¹³ A cost reduction of
3 \$798,000 is allocated to fourteen segment 3 components. A cost increase of
4 \$60,647,000 is allocated to segment 3, component 35. In order to properly reflect the
5 component 35 cost effect, I isolate the \$798,000 cost reduction and run the cost model
6 to determine that \$638,000 is the amount to be assigned to component 35. The
7 remaining \$160,000 (798,000 – 638,000) is allocated to the following segment 3
8 components: 40, 66, 421, 422, 423, 467, 468, 470, 471, 41, 227 and 228 using a "cl"
9 command.

10 I incorporate USPS corrections and the changes proposed by OCA witnesses
11 Smith (OCA-T-4) and Ewen (OCA-T-5) (discussed in the next section of my testimony)
12 into the cost model. Appendix B, Exhibits 2A – 2B reflect my results. Due to time
13 constraints, I was unable to complete the test year after rate PESSA allocation.
14 Electronic copies of my results are provided in OCA-LR-I-1.

15 C. The OCA Incorporates OCA Witnesses Smith's and Ewen's Cost
16 Proposals

17 After updating for the previously mentioned USPS changes, I incorporate OCA
18 witness Smith's (OCA-T-4) proposed mail processing variabilities and OCA witness
19 Ewen's (OCA-T-5) proposed changes to elemental load. OCA witness Smith proposed
20 changing several of the MODS variabilities proposed by USPS witness Van-Ty-Smith

¹³ See USPS-LR-I-6, the USPS FY 00 VBL6 file.

1 (USPS-T-17).¹⁴ OCA witness Smith's proposed changing the following MODS POOLS
2 to 100 percent: BCS, OCR, FSM, LSM, SPBS OTH, SPBSPRIO, MANF, MANL, MANP,
3 PRIORITY, and 1CANCMP. ¹⁵ Using information from USPS-LR-I-106, Table II-1A, as
4 a source for USPS inputs into the USPS-LR-I-80 Base Year worksheet for the
5 development of mail processing intermediate cost distributions, I approximate the mail
6 processing MODS 1 and 2 office costs.¹⁶ After opening all the EXCEL spreadsheets
7 provided in USPS-LR-I-80 that reference USPS cost segments, I manually key the
8 results obtained from implementing OCA witness Smith's proposal into the USPS
9 EXCEL spreadsheet I_Forms.xls, worksheet "MODS-BASED." I make no other
10 changes to I_Forms.xls for OCA witness Smith (OCA-T-5).

11 OCA witness Ewen's proposal eliminates the fixed time stops for SDR, MDR,
12 and BAM stop types. Using USPS witness Baron's response to OCA interrogatory
13 OCA/USPS-T12-10,¹⁷ I updated the USPS EXCEL file I_Forms.xls, worksheet "CS 6&7
14 Factors," the category for "Miscellaneous Load Factors, Fixed Time/Stops" entry for
15 SDR, MDR, and BAM. After updating the cost segment EXCEL spreadsheets in
16 USPS-LR-I-80, I compared the results of the updated worksheets labeled "Outputs for
17 CRA" with the USPS base year manual input. Where there were differences, I updated
18 the OCA's base year manual input data file, OCABASEYR.BIN. In general terms, the

¹⁴ See USPS-T-17, Table 1: Cost Segment 3 Clerk and Mailhandler Cost Pools – Part 1 of 2 at 24.

¹⁵ OCA witness Smith does not distinguish between the MODS POOLS SPBS OTHER and SPBSPRIO, because USPS witness Bozzo does not.

¹⁶ See OCA-LR-1, MODS.xls.

¹⁷ Tr. 18/7210.

1 following changes occurred in the OCABASEYR.BIN: (1) Segment 2, component 14's
2 total costs increased from \$181,344,000 to \$199,305,000; (2) Segment 2, component
3 16's total costs increased from \$113,101,000 to \$95,140,000; (3) Segment 3,
4 component 35's variable costs increased from \$11,858,958,000 to \$13,154,698,000,
5 while other costs declined from \$2,333,800,000 to \$1,038,060 – total costs remained
6 unchanged; (4) Segment 4, component 42's cost distribution to classes and subclasses
7 of mail changed, however, total variable, other, and total costs remained unchanged;
8 (5) Segment 7, component 46's variable costs increased from \$1,747,386,000 to
9 \$1,910,470,000, "fixed" costs increased from \$880,255,000 to \$977,417,000, and total
10 costs increased from \$2,627,641,000 to \$2,887,887,000; (6) Segment 7, component
11 48's variable costs declined from \$234,818,000 to \$215,884,000, "fixed costs declined
12 from \$1,403,993,000 to \$1,162,683,000, and total costs declined from \$1,638,811,000
13 to \$1,378,567,000; (7) Segment 7, component 50's total costs increased from
14 \$455,580,000 to \$500,391,000; (8) Segment 7, component 52's total costs declined
15 from \$303,839,000 to \$259,027,000; (9) Segment 12, component 91's total costs
16 increased from \$18,228,000 to \$21,537,000; (10) Segment 12, component 94's total
17 costs decreased from \$86,554,000 to \$75,349,000; (11) Segment 12, component 95's
18 total costs increased from \$136,180,000 to \$144,076,000; (12) Segment 12, component
19 101's total costs increased from \$6,819,000 to \$7,503,000; (13) Segment 12,
20 component 103's total costs decreased from \$4,416,000 to \$3,733,000; (14) Segment
21 12, component 83's total costs increased from \$16,746,000 to \$19,786,000; (15)
22 Segment 12, component 85's total costs decreased from \$79,518,000 to \$69,224,000;
23 (16) Segment 12, component 86's total costs increased from \$125,110,000 to

1 \$132,364,000; (17) Segment 14, component 681's costs decreased from \$96,829,000
2 to \$96,823,000 – the difference is in Standard Mail (B) Parcels Zone Rate; (18)
3 Segment 20, component 222's total costs increased from \$11,309,000 to \$13,362,000;
4 (19) Segment 20, component 224's total costs decreased from \$53,698,000 to
5 \$46,746,000; (20) Segment 20, component 225's total costs increased from
6 \$84,485,000 to \$89,384,000; (21) the premium cost calculations for platform and non-
7 platform costs were updated; and (22) incorporation of the OCA proposals increased
8 the Standard (A) single piece costs in FY99, thus, I changed the amount the USPS
9 reallocated from \$4,131,000 to \$4,392,000, for segment 16, component 177.

10 Base year manual input changes were input to the cost model using the
11 PRCEDIT program. OCA witness Smith's proposed variabilities were further
12 incorporated into the cost model through changes in the SR1116.FAC file, which
13 ultimately impacted the allocation of PESSA costs.

14 My results are provided in Appendix B to this testimony, Exhibits 2A and 2B.
15 Electronic copies of my results are provided in OCA-LR-I-1, subdirectory, \OCAPROP.

16 IV. CONCLUSION

17 Using the updated cost model programs, I replicate USPS witness Kashani's
18 workpapers. However, I am unable to determine how the Postal Service's cost model
19 performed the calculations involving component 35 and component 43.¹⁸ Thus, my
20 results differ slightly from those presented by USPS witness Kashani. I believe the

¹⁸ In OCA-LR-I-1, I provide written explanations and examples of the calculations performed by the cost model programs COSTMOD and LRCOST.

1 differences relate to how the two different cost model programs handle a situation
2 involving one component receiving multiple cost changes within a given cost level
3 effect. See, for example, segment 3, components 35 and 66; segment 6; component
4 43; and segment 7, component 46. Witness Kashani's response to P.O. Information
5 Request No. 10 responds to workpaper data corrections. I incorporate his
6 recommended changes into the OCA cost presentation. I have used my updated cost
7 model files to incorporate the cost changes provided to me by OCA witnesses Smith
8 and Ewen. Due to time constraints, I was unable to produce the allocation of the test
9 year after rate PESSA costs, which will be filed as a supplement to my testimony.

APPENDIX A

General Instructions

Create a “tmp” directory on the root of the computer drive you are using. The “LP” program called by the batch file PRTROLL requires the “tmp” directory. The files used by the OCA to replicate USPS cost workpapers, incorporate USPS corrections, and calculate OCA witnesses Smith and Ewen’s proposals are provided on the diskette included in OCA-LR-1. To facilitate the cost roll forward process, I used the same DOS “batch” files in separate subdirectories. Each row of instructions listed below represents one batch file. Follow each instruction with a carriage return (<ENTER>). The files requested by the program during execution are enclosed in quotation marks. Again, follow each response with a carriage return.

1 Commands Used To Replicate USPS Results:

2 **C1;**

3 **L1;**

4 **C2 – “OCARIP1.DAT;”**

5 **L2;**

6 **C3 – “OCARIP2.DAT;”**

7 **L3;**

8 **C4 – “OCARIP3.DAT;”**

9 **L4 (Includes FY 98 PESSA costs);**

10 **R99; and**

11 **R99SPA.**

12 Then, use PRCEdit.EXE to eliminate (zero-out) residual amounts in Standard A Single
13 Piece Mail (row 12) for the following USPS components:

14 2:9, 2:29, 2:30, 2:32, 2:678, 3:228, 6:45, 16:177, 18:199, 18:200, 18:201, and 18:204.

15 Continue the costing model process by executing the following DOS batch files:

16 **CFS – “VBL2RCR.DAT ;”**

17 **R99ADJ – (Contains Workyear Mix Adjustment);**

18 **R00;**

19 **R00ADJ – (Contains Workyear Mix Adjustment);**

20 **R01;**

21 **R01ADJ – (Contains Workyear Mix Adjustment);**

1 Commands Used To Implement The OCA's Proposal:

2 **C1;**

3 **L1;**

4 **C2 – “OCARIP1.DAT;”**

5 **L2;**

6 **C3 – “OCARIP2.DAT;”**

7 **L3;**

8 **C4 – “OCARIP3.DAT;”**

9 **L4 (Includes FY 98 PESSA costs);**

10 **R99; and**

11 **R99SPA.**

12 Then, use PRCEDIT.EXE to eliminate (zero-out) residual amounts in Standard A Single
13 Piece Mail (row 12) for the following USPS components:

14 2:9, 2:29, 2:30, 2:32, 2:678, 3:228, 6:45, 16:177, 18:199, 18:200, 18:201, and 18:204.

15 Continue the costing model process by executing the following DOS batch files:

16 **R99ADJ – (Contains Workyear Mix Adjustment);**

17 **R00;**

18 **R00ADJ – (Contains Workyear Mix Adjustment);**

19 **R01;**

20 **R01ADJ – (Contains Workyear Mix Adjustment);**

APPENDIX B

1

2 Exhibits 1A, 1B, 1C, and 1D show the OCA's replication of the USPS proposal.
3 Exhibits 2A and 2B provide the results of the OCA's proposal with the incorporation of
4 the USPS changes.

Exhibit 1A

USPS A Report w/o PESSA - (\$000)

Description	USPS Base Year	FY99RCM USPS FY 99	FY00RCM USPS FY 00	FY01RCAM USPS FY 01
First-Class Mail				
Single-Piece Letters	10,476,569	10,640,036	10,670,257	10,753,101
Presort Letters	3,563,118	3,847,776	4,053,517	4,312,056
TTL Letters	14,039,687	14,487,812	14,723,774	15,065,157
Single-Piece Cards	442,717	436,316	442,216	444,422
Presort Cards	127,258	126,237	136,380	144,783
TTL Cards	569,975	562,553	578,596	589,205
TTL First-Class	14,609,662	15,050,365	15,302,370	15,654,362
Priority Mail	2,162,216	2,400,991	2,483,890	2,591,142
Express Mail	330,974	364,063	376,131	400,557
Mailgrams	845	839	817	737
Periodicals:				
In-County	66,625	66,744	68,590	68,241
Outside County:				
Regular	1,524,818	1,605,462	1,663,508	1,666,523
Non-Profit	317,425	304,017	312,645	329,324
Classroom	12,024	12,085	12,110	11,603
TTL Periodicals	1,920,892	1,988,308	2,056,853	2,075,691
Standard Mail (A)				
Single-Piece Rate	181,787	-	-	
Commercial Std:				
Enhanced Carr Rte	1,934,251	1,929,634	1,972,722	2,058,435
Regular	4,700,745	5,362,838	5,808,482	5,835,650
TTL Commercial	6,634,996	7,292,472	7,781,204	7,894,085
Aggregate Non-Profit				
NonProf Enh Carr Rte	144,519	163,004	167,047	165,625
NonProfit	959,024	1,020,335	1,059,912	1,099,427
TTL Aggreg Non-Profit	1,103,543	1,183,339	1,226,959	1,265,052
TTL Standard (A)	7,920,326	8,475,811	9,008,163	9,159,137
Standard Mail (B)				
Parcels Zone Rate	847,352	887,868	987,358	1,036,444
Bound Printed Matter	337,981	356,025	374,334	396,763
Special Standard	214,008	232,936	245,501	251,503
Library Mail	35,969	37,817	39,267	40,149
TTL Standard (B)	1,435,310	1,514,646	1,646,460	1,724,859
US Postal Service	218,870	228,034	219,887	219,506
Free Mail - Bld, Hndcpd & Serv	28,304	29,362	30,903	32,813
International Mail	1,224,054	1,109,196	1,254,793	1,290,920
TTL Mail	29,851,453	31,161,615	32,380,267	33,149,724
Special Services:				
Registry	77,336	72,581	69,121	62,110
Certified	341,944	343,310	367,761	375,263
Insurance	54,139	66,623	65,873	65,253
COD	12,234	13,293	12,909	12,530
Special Delivery	1	1	1	1
Money Orders	102,243	112,582	120,571	123,357
Stamped Cards	3,208	3,136	3,146	3,360
Stamped Envelopes	12,420	10,754	10,872	11,513
Special Handling	1,523	1,546	1,588	1,636
Post Office Box	79,394	85,269	89,586	93,168
Other	72,548	82,539	103,574	111,175
TTL Special Services	756,990	791,634	845,002	859,366
TTL Vol Variable	30,608,443	31,953,249	33,225,269	34,009,090
Other	28,958,076	30,627,210	31,704,655	33,458,068
Total Costs	59,566,519	62,580,459	64,929,924	67,467,158
Source: USPS-T-14 Wkp No.	A	D	F	J

Exhibit 1B

OCA Replication Of The "A" Report w/o PESSA (\$000)

Description	OCA Base Year	With Workyr Adjustment OCA FY 99	With Workyr Adjustment OCA FY 00	With Workyr Adjustment OCA FY 01
First-Class Mail				
Single-Piece Letters	10,476,565	10,640,038	10,670,011	10,752,860
Presort Letters	3,563,114	3,847,773	4,053,572	4,311,741
TTL Letters	14,039,679	14,487,811	14,723,583	15,064,601
Single-Piece Cards	442,720	436,312	442,216	444,450
Presort Cards	127,257	126,241	136,386	144,784
TTL Cards	569,977	562,553	578,602	589,234
TTL First-Class	14,609,656	15,050,364	15,302,185	15,653,835
Priority Mail	2,162,214	2,400,997	2,483,876	2,591,114
Express Mail	330,973	364,067	376,140	400,569
Mailgrams	848	839	816	738
Periodicals:				
In-County	66,620	66,742	68,586	68,240
Outside County:				
Regular	1,524,821	1,605,473	1,663,553	1,666,664
Non-Profit	317,423	304,009	312,650	329,339
Classroom	12,023	12,082	12,103	11,599
TTL Periodicals	1,920,887	1,988,306	2,056,892	2,075,842
Standard Mail (A)				
Single-Piece Rate	181,795			
Commercial Std:				
Enhanced Carr Rte	1,934,253	1,929,631	1,972,740	2,058,495
Regular	4,700,751	5,362,859	5,808,614	5,836,023
TTL Standard (A)	6,635,004	7,292,490	7,781,354	7,894,518
Aggregate Non-Profit				
NonProf Enh Carr Rte	144,519	163,014	167,059	165,650
NonProfit	959,022	1,020,328	1,059,934	1,099,473
TTL Aggreg Non-Profit	1,103,541	1,183,342	1,226,993	1,265,123
TTL Standard (A)	7,738,545	8,475,832	9,008,347	9,159,641
Standard Mail (B)				
Parcels Zone Rate	847,349	887,873	987,372	1,036,473
Bound Printed Matter	337,986	356,038	374,354	396,796
Special Standard	214,005	232,927	245,496	251,503
Library Mail	35,971	37,836	39,210	39,876
TTL Standard (B)	1,435,311	1,514,674	1,646,432	1,724,648
US Postal Service	218,869	228,041	219,899	219,528
Free Mail - Bld, Hndcpd & Ser	28,300	29,370	30,920	32,844
International Mail	1,224,054	1,109,204	1,254,807	1,290,938
TTL Mail	29,669,657	31,161,694	32,380,314	33,149,697
Special Services:				
Registry	77,336	72,579	69,119	62,105
Certified	341,941	343,310	367,763	375,266
Insurance	54,137	66,622	65,874	65,249
COD	12,237	13,296	12,904	12,527
Special Delivery	1	1	1	1
Money Orders	102,244	112,592	120,580	123,365
Stamped Cards	3,208	3,135	3,145	3,359
Stamped Envelopes	12,420	10,755	10,875	11,515
Special Handling	1,523	1,543	1,586	1,635
Post Office Box	79,394	85,269	89,592	93,178
Other	72,551	82,538	103,567	111,177
TTL Special Services	756,992	791,640	845,006	859,377
TTL Vol Variable	30,426,649	31,953,334	33,225,320	34,009,074
Other	28,958,077	30,627,211	31,704,771	33,458,344
Total Costs	59,384,726	62,580,545	64,930,091	67,467,418
Source: OCA-LR-I-1	by98lps.bin	FY99adj.bin	FY00adj.bin	FY01adj.bin
USPSREP				

Exhibit 1C

Delta USPS- OCA w/o PESSA (\$000)

Description	Delta USPS - OCA Base Year	Delta USPS - OCA FY 99	Delta USPS - OCA FY 00	Delta USPS - OCA FY 01
First-Class Mail				
Single-Piece Letters	4	(2)	246	241
Presort Letters	4	3	(55)	315
TTL Letters	8	1	191	556
Single-Piece Cards	(3)	4	-	(28)
Presort Cards	1	(4)	(6)	(1)
TTL Cards	(2)	-	(6)	(29)
TTL First-Class	6	1	185	527
Priority Mail	2	(6)	14	28
Express Mail	1	(4)	(9)	(12)
Mailgrams	(3)	-	1	(1)
Periodicals:				
In-County	5	2	4	1
Outside County:				
Regular	(3)	(11)	(45)	(141)
Non-Profit	2	8	(5)	(15)
Classroom	1	3	7	4
TTL Periodicals	5	2	(39)	(151)
Standard Mail (A)				
Single-Piece Rate	(8)	-	-	-
Commercial Std:				
Enhanced Carr Rte	(2)	3	(18)	(60)
Regular	(6)	(21)	(132)	(373)
TTL Standard (A)	(8)	(18)	(150)	(433)
Aggregate Non-Profit				
NonProf Enh Carr Rte	-	(10)	(12)	(25)
NonProfit	2	7	(22)	(46)
TTL Aggreg Non-Profit	2	(3)	(34)	(71)
TTL Standard (A)	(14)	(21)	(184)	(504)
Standard Mail (B)				
Parcels Zone Rate	3	(5)	(14)	(29)
Bound Printed Matter	(5)	(13)	(20)	(33)
Special Standard	3	9	5	-
Library Mail	(2)	(19)	57	273
TTL Standard (B)	(1)	(28)	28	211
US Postal Service	1	(7)	(12)	(22)
Free Mail - Bld, Hndcpd & Serv	4	(8)	(17)	(31)
International Mail	-	(8)	(14)	(18)
TTL Mail	1	(79)	(47)	27
Special Services:				
Registry	-	2	2	5
Certified	3	-	(2)	(3)
Insurance	2	1	(1)	4
COD	(3)	(3)	5	3
Special Delivery	-	-	-	-
Money Orders	(1)	(10)	(9)	(8)
Stamped Cards	-	1	1	1
Stamped Envelopes	-	(1)	(3)	(2)
Special Handling	-	3	2	1
Post Office Box	-	-	(6)	(10)
Other	(3)	1	7	(2)
TTL Special Services	(2)	(6)	(4)	(11)
TTL Vol Variable	(1)	(85)	(51)	16
Other	(1)	(1)	(116)	(276)
Total Costs	(2)	(86)	(167)	(260)

Source: Exhibits 1A and 1B

Exhibit 1D

USPS and OCA Comparisons of Base Year w/PESSA

	A	B	C	D	E
Description	USPS Base Year With PESSA	OCA-Replication Base Year With PESSA	DELTA B - A	OCA - Proposal w/ USPS Chgs Base Year W/Pessa	DELTA D - A
First-Class Mail					
Single-Piece Letters	12,412,946	12,412,942	(4)	13,414,669	1,001,723
Presort Letters	4,167,656	4,167,652	(4)	4,361,722	194,066
TTL Letters	16,580,602	16,580,594	(8)	17,776,391	1,195,789
Single-Piece Cards	519,574	519,574	-	561,901	42,327
Presort Cards	147,145	147,142	(3)	154,654	7,509
TTL Cards	666,719	666,716	(3)	716,555	49,836
TTL First-Class	17,247,321	17,247,310	(11)	18,492,946	1,245,625
Priority Mail	2,395,877	2,395,874	(3)	2,606,230	210,353
Express Mail	384,614	384,614	-	391,124	6,510
Mailgrams	1,105	1,106	1	1,179	74
Periodicals:					
In-County	76,873	76,869	(4)	79,052	2,179
Outside County:					
Regular	1,749,726	1,749,727	1	1,826,013	76,287
Non-Profit	362,146	362,146	-	376,760	14,614
Classroom	13,991	13,991	-	14,548	557
TTL Periodicals	2,202,736	2,202,733	(3)	2,296,373	93,637
Standard Mail (A)					
Single-Piece Rate	213,627	213,633	6	224,447	10,820
Commercial Std:					
Enhanced Carr Rte	2,234,485	2,234,490	5	2,312,424	77,939
Regular	5,535,163	5,535,170	7	5,850,910	315,747
TTL Commercial	7,769,648	7,769,660	12	8,163,334	393,686
Aggregate Non-Profit					
NonProf Enh Carr Rte	169,833	169,833	-	177,218	7,385
NonProfit	1,130,549	1,130,550	1	1,204,247	73,698
TTL Aggreg Non-Profit	1,300,382	1,300,383	1	1,381,465	81,083
TTL Standard (A)	9,283,657	9,283,676	19	9,769,246	485,589
Standard Mail (B)					
Parcels Zone Rate	861,780	861,774	(6)	962,068	100,288
Bound Printed Matter	394,443	394,450	7	404,826	10,383
Special Standard	247,598	247,593	(5)	254,317	6,719
Library Mail	41,051	41,052	1	41,904	853
TTL Standard (B)	1,544,872	1,544,869	(3)	1,663,115	118,243
US Postal Service	262,798	262,798	-	278,369	15,571
Free Mail - Bld, Hndcpd & Serv	33,441	33,437	(4)	35,563	2,122
International Mail	1,311,481	1,311,483	2	1,334,068	22,587
TTL Mail	34,667,902	34,667,900	(2)	36,868,213	2,200,311
Special Services:					
Registry	99,336	99,335	(1)	99,980	644
Certified	402,771	402,768	(3)	417,210	14,439
Insurance	61,658	61,656	(2)	62,339	681
COD	14,171	14,172	1	14,487	316
Special Delivery	1	1	-	1	-
Money Orders	122,800	122,803	3	122,691	(109)
Stamped Cards	3,208	3,208	-	3,208	-
Stamped Envelopes	13,111	13,114	3	13,110	(1)
Special Handling	2,221	2,223	2	2,352	131
Post Office Box	473,477	473,475	(2)	470,479	(2,998)
Other	90,832	90,834	2	93,764	2,932
TTL Special Services	1,283,586	1,283,589	3	1,299,621	16,035
TTL Vol Variable	35,951,488	35,951,489	1	38,167,834	2,216,346
Other	23,615,029	23,615,031	2	21,398,680	(2,216,349)
Total Costs	59,566,517	59,566,520	3	59,566,514	(3)

Exhibit 2A

Incorporation Of OCA witnesses Smith's and Ewen's Cost Proposals w/o PESSA Costs

Description	Includes USPS Changes			
	OCA Base Year	With Workyr Adjustment OCA FY 99	With Workyr Adjustment OCA FY 00	With Workyr Adjustment OCA FY 01
First-Class Mail				
Single-Piece Letters	11,340,472	11,524,395	11,565,982	11,653,745
Presort Letters	3,730,367	4,027,943	4,241,861	4,509,479
TTL Letters	15,070,839	15,552,338	15,807,843	16,163,224
Single-Piece Cards	479,746	473,093	479,783	481,880
Presort Cards	133,930	132,847	143,520	152,304
TTL Cards	613,676	605,940	623,303	634,184
TTL First-Class	15,684,515	16,158,278	16,431,146	16,797,408
Priority Mail	2,353,358	2,602,866	2,696,438	2,812,923
Express Mail	336,962	370,545	382,934	407,906
Mailgrams	914	905	880	796
Periodicals:				
In-County	68,570	68,708	70,611	70,292
Outside County:				
Regular	1,593,774	1,678,956	1,744,333	1,779,447
Non-Profit	330,580	316,562	323,336	320,528
Classroom	12,524	12,591	12,614	12,048
TTL Periodicals	2,005,448	2,076,817	2,150,894	2,182,315
Standard Mail (A)				
Single-Piece Rate	191,220			
Commercial Std:				
Enhanced Carr Rte	2,002,788	1,998,098	2,042,881	2,131,781
Regular	4,980,967	5,684,503	6,158,164	6,190,107
TTL Standard (A)	6,983,755	7,682,601	8,201,045	8,321,888
Aggregate Non-Profit				
NonProf Enh Carr Rte	151,006	170,370	174,590	173,089
NonProfit	1,024,137	1,089,963	1,132,474	1,175,010
TTL Aggreg Non-Pr	1,175,143	1,260,333	1,307,064	1,348,099
TTL Standard (A)	8,350,118	8,942,934	9,508,109	9,669,987
Standard Mail (B)				
Parcels Zone Rate	859,748	900,924	1,001,982	1,052,828
Bound Printed Matter	347,283	365,891	384,783	407,972
Special Standard	220,029	239,512	252,481	258,734
Library Mail	36,724	38,632	40,043	40,739
TTL Standard (B)	1,463,784	1,544,959	1,679,289	1,760,273
US Postal Service	232,795	242,614	233,994	233,649
Free Mail - Bid, Hndcpd &	30,198	31,346	33,019	35,084
International Mail	1,243,928	1,128,703	1,276,406	1,312,756
TTL Mail	31,702,020	33,099,967	34,393,109	35,213,097
Special Services:				
Registry	78,000	73,201	69,717	62,651
Certified	354,730	356,156	381,666	389,580
Insurance	54,760	67,392	66,639	66,020
COD	12,517	13,602	13,203	12,821
Special Delivery	1	1	1	1
Money Orders	102,224	112,568	120,554	123,338
Stamped Cards	3,208	3,135	3,145	3,359
Stamped Envelopes	12,420	10,754	10,874	11,514
Special Handling	1,590	1,598	1,642	1,693
Post Office Box	79,378	85,251	89,572	93,158
Other	74,725	84,768	105,830	113,405
TTL Special Services	773,553	808,426	862,843	877,540
TTL Vol Variable	32,475,573	33,908,393	35,255,952	36,090,637
Other	27,090,940	28,695,709	29,738,797	31,452,116
Total Costs	59,566,513	62,604,102	64,994,749	67,542,753
See OCA-LR-I-1 IOCAPROP	by98lps.bin	FY99adj.bin	FY00adj.bin	FY01adj.bin

Exhibit 2B

Delta OCA - USPS w/o PESSA (\$000)

Description	Delta OCA - USPS Base Year	Delta OCA - USPS FY 99	Delta OCA - USPS FY 00	Delta OCA - USPS FY 01
First-Class Mail				
Single-Piece Letters	863,903	884,359	895,725	900,644
Presort Letters	167,249	180,167	188,344	197,423
TTL Letters	1,031,152	1,064,526	1,084,069	1,098,067
Single-Piece Cards	37,029	36,777	37,567	37,458
Presort Cards	6,672	6,610	7,140	7,521
TTL Cards	43,701	43,387	44,707	44,979
TTL First-Class	1,074,853	1,107,913	1,128,776	1,143,046
Priority Mail	191,142	201,875	212,548	221,781
Express Mail	5,988	6,482	6,803	7,349
Mailgrams	69	66	63	59
Periodicals:				
In-County	1,945	1,964	2,021	2,051
Outside County:				
Regular	68,956	73,494	80,825	112,924
Non-Profit	13,155	12,545	10,691	(8,796)
Classroom	500	506	504	445
TTL Periodicals	84,556	88,509	94,041	106,624
Standard Mail (A)				
Single-Piece Rate	9,433	-	-	-
Commercial Std:				
Enhanced Carr Rte	68,537	68,464	70,159	73,346
Regular	280,222	321,665	349,682	354,457
TTL Standard (A)	348,759	390,129	419,841	427,803
Aggregate Non-Profit				
NonProf Enh Carr Rte	6,487	7,366	7,543	7,464
NonProfit	65,113	69,628	72,562	75,583
TTL Aggreg Non-Pr	71,600	76,994	80,105	83,047
TTL Standard (A)	429,792	467,123	499,946	510,850
Standard Mail (B)				
Parcels Zone Rate	12,396	13,056	14,624	16,384
Bound Printed Matter	9,302	9,866	10,449	11,209
Special Standard	6,021	6,576	6,980	7,231
Library Mail	755	815	776	590
TTL Standard (B)	28,474	30,313	32,829	35,414
US Postal Service	13,925	14,580	14,107	14,143
Free Mail - Bid, Hndcpd	1,894	1,984	2,116	2,271
International Mail	19,874	19,507	21,613	21,836
TTL Mail	1,850,567	1,938,352	2,012,842	2,063,373
Special Services:				
Registry	664	620	596	541
Certified	12,786	12,846	13,905	14,317
Insurance	621	769	766	767
COD	283	309	294	291
Special Delivery	-	-	-	-
Money Orders	(19)	(14)	(17)	(19)
Stamped Cards	-	(1)	(1)	(1)
Stamped Envelopes	-	-	2	1
Special Handling	67	52	54	57
Post Office Box	(16)	(18)	(14)	(10)
Other	2,177	2,229	2,256	2,230
TTL Special Services	16,563	16,792	17,841	18,174
TTL Vol Variable	1,867,130	1,955,144	2,030,683	2,081,547
Other	(1,867,136)	(1,931,501)	(1,965,858)	(2,005,952)
Total Costs	(6)	23,643	64,825	75,595